



Interim Report 2013



CHINA INVESTMENT DEVELOPMENT LIMITED

中國投資開發有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 204)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Cheong Yee
Mr. Wong Chak Keung

Non-executive Director

Mr. Chen Yin (*Chairman*)

Independent Non-executive Directors

Mr. Fong Wo, Felix
Mr. Leung Wing Kin
Mr. Tang Ping Sum

AUDIT COMMITTEE

Mr. Fong Wo, Felix
Mr. Leung Wing Kin
Mr. Tang Ping Sum

REMUNERATION COMMITTEE

Mr. Chen Yin
Mr. Fong Wo, Felix
Mr. Leung Wing Kin
Mr. Tang Ping Sum

NOMINATION COMMITTEE

Mr. Chen Yin
Mr. Fong Wo, Felix
Mr. Leung Wing Kin
Mr. Tang Ping Sum
Mr. Wong Chak Keung

CHIEF EXECUTIVE OFFICER

Mr. Zhang Xuming

COMPANY SECRETARY

Mr. Wong Chak Keung

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

CUSTODIANS

China Everbright Securities (HK) Limited

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

BDO Limited
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Law

Angela Ho & Associates
Michael Li & Co.

Bermuda Law

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street, Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 7809–13, 78/F, The Center
99 Queen's Road Central, Central
Hong Kong

WEBSITE

www.cidl.com.hk

STOCK CODE

204

INTERIM RESULTS

The board of directors (the "Board") of China Investment Development Limited (the "Company") hereby announced the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 (the "Period") together with the comparative figures for the corresponding period in 2012. The unaudited results for the Period have been reviewed by the Company's Audit Committee and are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	4	158	444
Other income	4	45	39
Change in fair value of financial assets at fair value through profit or loss		253	(227)
Gain on disposal of a subsidiary		–	3,681
Administrative expenses		(6,850)	(8,897)
Finance cost	5	(28)	–
Share of loss of an associate	10	(8)	(55)
Loss before income tax expense	6	(6,430)	(5,015)
Income tax expense	7	–	–
Loss for the period attributable to owners of the Company		(6,430)	(5,015)
Dividend	8	–	–
Loss per share			
Basic (HK cents per share)	9	(0.99)	(0.80)
Diluted (HK cents per share)	9	(0.99)	(0.80)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	(6,430)	(5,015)
Other comprehensive income:		
Exchange difference arising from an associate during the period	97	–
Other comprehensive income for the period, net of tax	97	–
Total comprehensive expenses attributable to owners of the Company	(6,333)	(5,015)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013	31 March 2013
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		553	698
Interest in an associate	10	6,193	6,104
Available-for-sale financial asset	11	6,590	–
		13,336	6,802
Current assets			
Financial assets at fair value through profit or loss	12	7,047	21,594
Deposit for acquisition of an available-for-sale financial asset	13	6,000	–
Other receivables, deposits and prepayments		5,850	3,584
Bank and cash balances		16,733	6,630
		35,630	31,808
Current liabilities			
Other payables and accrued charges		1,401	1,471
Other borrowing		–	2,899
Amounts due to directors		–	149
		1,401	4,519
Net current assets		34,229	27,289
Net assets		47,565	34,091

		30 September 2013	31 March 2013
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	6,849	6,449
Reserves		40,716	27,642
Total equity		47,565	34,091
Net asset value per share	15	HK\$0.07	HK\$0.05

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	6,449	61,029	-	4,730	66	(38,183)	34,091
Issue of shares	400	19,600	-	-	-	-	20,000
Share issue expenses	-	(193)	-	-	-	-	(193)
Lapse of share option	-	-	-	(2,966)	-	2,966	-
Loss for the period	-	-	-	-	-	(6,430)	(6,430)
Other comprehensive income							
— Exchange difference arising from an associate during the period	-	-	-	-	97	-	97
At 30 September 2013 (unaudited)	6,849	80,436	-	1,764	163	(41,647)	47,565
At 1 April 2012 (as previously reported)	6,303	53,948	(315)	4,730	5,049	(27,705)	42,010
Prior period adjustments (Note a)	-	-	1,593	-	-	(1,506)	87
At 1 April 2012 (as restated)	6,303	53,948	1,278	4,730	5,049	(29,211)	42,097
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	(1,278)	-	-	-	(1,278)
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	(5,049)	-	(5,049)
Loss for the period	-	-	-	-	-	(5,015)	(5,015)
At 30 September 2012 (unaudited)	6,303	53,948	-	4,730	-	(34,226)	30,755

Note a: prior period adjustments:

In September 2011, the Company had invested the convertible bonds and classified them as available-for-sales financial assets. The investments had the conversion option which represented an embedded option written by the issuers on their equity shares. The Company incorrectly included the conversion option as available-for-sale financial assets and the change of fair value of the embedded option had been recognised in investment revaluation reserve. The management of the Company had revisited the reclassification of the convertible bonds. The investments in the convertible bonds had been spilt between debt components and embedded derivatives components. The debt portions of the convertible bonds are designated upon initial recognition as available-for-sale financial assets. The embedded conversion options were derivatives and were included in financial assets at fair value though profit or loss and recognised at fair value.

The Company had not remeasured the fair value of the investment in convertible bonds as at 31 March 2012. The management of the Company had revisited the fair value of the investments in convertible bonds and measured the fair value of the investments in convertible bonds including debt components and embedded derivatives components, with reference to the professional valuer.

During the year ended 31 March 2012, the effect of the restatement on the consolidated statement of comprehensive income was to increase the fair value gain by HK\$1,593,000 in other comprehensive income for revaluation of the debt components and to increase the fair value loss by HK\$1,506,000 in profit or loss on the embedded derivatives components.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2013*

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(8,444)	5,160
Net cash from/(used in) investing activities	1,639	(7,726)
Net cash from financing activities	16,908	–
Net increase/(decrease) in cash and cash equivalents	10,103	(2,566)
Cash and cash equivalents at 1 April	6,630	5,954
Cash and cash equivalents at 30 September	16,733	3,388
Analysis of the balance of cash and cash equivalents		
Bank and cash balances	16,733	3,388

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. GENERAL INFORMATION

China Investment Development Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 March 1998 and was de-registered on 11 March 2011 and was registered by way of continuation as an exempted company in Bermuda on 2 March 2011. The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 12 December 2000. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is located at Units 7809–13, 78/F, The Center, 99 Queen’s Road Central, Central, Hong Kong.

The Company is principally engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 March 2013 which has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"). The accounting policies and basis of preparation used in the preparation of unaudited condensed consolidated financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended 31 March 2013. The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2013, the significant judgement in applying accounting policies and the key sources of accounting estimates used in the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Company's consolidated financial statements for the year ended 31 March 2013. The application of the new and revised HKFRSs had not have material impact on the results and financial positions of the Group for the current or prior accounting periods.

The Group has not yet early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group is in the process of assessing the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the six months ended 30 September 2013 and 2012, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each business line or geographical area and the executive directors reviewed the financial result of the Group as a whole reported under HKFRSs. Therefore, the executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in investment holding. The executive directors allocate resources and assess performance on an aggregated basis. Accordingly, no operating segment is presented.

The following table provides an analysis of the Group's revenue and non-current assets including property, plant and equipment, interest in an associate and available-for-sale financial asset (i.e. "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of interest in an associate and available-for-sale financial asset, is as follows:

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 September		30 September	31 March
	2013	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	158	444	553	698
Other regions of People's Republic of China (the "PRC")	—	—	12,783	6,104
	158	444	13,336	6,802

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income are as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue:		
Interest income from available-for-sale financial assets	<u>158</u>	<u>444</u>
Other income:		
Written back of other payables	<u>45</u>	<u>39</u>
Total revenue and other income	<u><u>203</u></u>	<u><u>483</u></u>

The Group's revenue represents interest income from convertible bonds. No other source of income contributed to the Group's revenue for both six months ended 30 September 2013 and 2012.

5. FINANCIAL COST

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowings wholly repayable within five years:		
Interest expenses	<u>28</u>	<u>–</u>
Total finance cost	<u><u>28</u></u>	<u><u>–</u></u>

6. LOSS BEFORE INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs		
Salaries	1,217	126
Provident fund contributions	13	6
Total staff costs excluding directors' remuneration	1,230	132
Auditor's remuneration	132	90
Depreciation	456	700
Directors' remuneration	908	1,106
Investment manager's fee	360	341
Rent and rates	2,491	4,777
Written off of property, plant and equipment	–	14

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2012: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at the rates applicable in the respective jurisdictions. No provision for income tax expense is required since the Group has no assessable profits either arising from Hong Kong or other jurisdictions during the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profits streams.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(6,430)</u>	<u>(5,015)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>649,440,924</u>	<u>630,250,760</u>

No diluted loss per share has been presented as the potential ordinary share in respect of outstanding share options is anti-dilutive effect for both periods.

10. INTEREST IN AN ASSOCIATE

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Cost of investment in an associate	6,080	6,080
Exchange differences	163	66
Share of loss of an associate	(50)	(42)
	6,193	6,104

Details of the associate are as follows:

Name of associate	Place of establishment/ operation	Form of business structure	Issued and fully paid registered capital	Percentage of equity held by the Group	Proportion of voting power	Principal activities
Bonicast Construction Material (Beijing) Co., Ltd.	PRC	Corporation	Registered RMB10,000,000	49%	20% (note a)	Trading of construction materials

Note:

- (a) The Group is able to exercise significant influence over Bonicast Construction Material (Beijing) Co., Ltd. because it has the power to appoint one out of five directors of that company under the articles of association of that company. No dividend was received during the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

Summarized financial information in respect of the Group's associate is set out below:

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Total assets	13,621	35,022
Total liabilities	(982)	(22,566)
Net assets	12,639	12,456
Group's share of net assets of an associate	6,193	6,104
	Six months ended 30 September 2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Total revenue	9,744	18,039
Loss for the period	(16)	(112)
Group's share of loss of an associate	(8)	(55)

11. AVAILABLE-FOR-SALE FINANCIAL ASSET

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Equity investment, at cost and unlisted in the PRC	6,590	—

On 29 May 2013, the Company entered into a sale and purchase agreement with vendors pursuant to which the Company has agreed to acquire from the vendors the entire sale shares and the sale loan of Moonglory International Properties Limited, a company incorporated in the British Virgin Islands ("BVI"), for a total consideration of HK\$6,590,000, which effectively held 12% equity interest of 天津寶鑫盈貴金屬經營有限公司 (transliterated as Tianjin Bao Xin Ying Precious Metals Management Limited). This company is a PRC established company and principally engaged in the trading of precious metals and gold products and investment advisory in Tianjin, the PRC. The unlisted available-for-sale financial asset was measured at cost less impairment at each reporting date because there was no open market on the unlisted investment. No dividend was received during the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Hong Kong listed equity securities, at market value (note a)	448	454
Investments in convertible bonds, at fair value (note b)	6,599	21,140
	7,047	21,594

Notes:

- (a) Particulars of investments of listed equity securities held by the Company as at 30 September 2013 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name	Place of incorporation	Number of shares held	Percentage of interest held	Cost HK\$'000	Market value HK\$'000	Change in fair value HK\$'000	Net assets
							attributable to the Company HK\$'000
China Investment and Finance Group Limited ("China Investment")	Cayman Islands	1,228,000 ordinary shares	0.211%	864	448	(416)	1,153

China Investment is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market. A brief description of the financial information of the above listed equity security, based on their latest financial statements, is as follow:

No dividend was received during the six months ended 30 September 2013.

The audited net loss attributable to the owners of China Investment was approximately HK\$14,764,000 for the year ended 31 March 2013. No dividend was received during the year ended 31 March 2013.

The fair value of the investment in China Investment is based on quoted market price.

- (b) Particulars of investments in convertible bonds held by the Company as at 30 September 2013 and 31 March 2013 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Convertible bonds at cost		Fair value adjustment		Carrying value	
		30.9.2013	31.3.2013	30.9.2013	31.3.2013	30.9.2013	31.3.2013
		HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Miracle Fortune Group Limited (note i)	BVI	-	7,000	-	(27)	-	6,973
Treasure Billions Wisdom Limited (note ii)	BVI	-	7,800	-	(232)	-	7,568
Venture Champion Limited (note iii)	BVI	6,600	6,600	(1)	(1)	6,599	6,599
		<u>6,600</u>	<u>21,400</u>	<u>(1)</u>	<u>(260)</u>	<u>6,599</u>	<u>21,140</u>

Notes:

- (i) On 11 June 2012, the Company invested in the 3% unsecured convertible bonds issued by Miracle Fortune Group Limited ("Miracle") at a face value of HK\$7,000,000, bearing coupon interest rate of 3% per annum. Miracle is an investment holding company and its business is principally engaged in provision of branding, products design, distribution network development and e-business services related to apparel and accessories business in the PRC. The convertible bonds due on 11 June 2016 are convertible into fully paid ordinary shares of Miracle with a par value of USD1.00 each at a conversion price of HK\$200,000 per share. The Company can exercise the conversion at anytime until the maturity date. Up to 20 June 2013, the convertible bonds in the principal amount of HK\$7,000,000 with accrued interest up to 20 June 2013 amounting to approximately HK\$31,000 was fully redeemed by the issuer.

- (ii) On 14 June 2012, the Company invested in the 3% unsecured convertible bonds issued by Treasure Billions Wisdom Limited. ("Treasure") at a face value of HK\$7,800,000, bearing coupon interest rate of 3% per annum. Treasure is an investment holding company and its business is principally engaged in provision of multi-media and outdoor advertising business in the PRC. As at the time of investment in Treasure, the investment in Treasure did not exceed 20% of the Company's net asset value at that time. The convertible bonds due on 14 June 2016 are convertible into fully paid ordinary shares of Treasure with a par value of USD1.00 each at a conversion price of HK\$200,000 per share. The Company can exercise the conversion at anytime until the maturity date. Up to 16 May 2013, the convertible bonds in the principal amount of HK\$7,800,000 with accrued interest up to 16 May 2013 amounting to approximately HK\$111,000 was fully redeemed by the issuer.

- (iii) On 29 June 2012, the Company invested in the 3% unsecured convertible bonds issued by Venture Champion Limited ("Venture") at a face value of HK\$6,600,000, bearing coupon interest rate of 3% per annum. Venture is an investment holding company and its business is principally engaged in professional stage performance and provision of training in art and cultural activities in the PRC. The convertible bonds due on 29 June 2016 are convertible into fully paid ordinary shares of Venture with a par value of USD1.00 each at a conversion price of HK\$200,000 per share. The Company can exercise the conversion at anytime until the maturity date.

13. DEPOSIT FOR ACQUISITION OF AN AVAILABLE-FOR-SALE FINANCIAL ASSET

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Deposit for acquisition of an available-for-sale financial asset	6,000	—

On 13 May 2013, the Company entered into a sale and purchase agreement with a vendor pursuant to which the Company has conditionally agreed to acquire from the vendor the sale shares and the sale loan of Urban Thrive Limited, a company incorporated in the BVI, for a total consideration of HK\$7,500,000. It shall be satisfied by the Company issuing 15,000,000 consideration shares at an issue price of HK\$0.50 per share with deposit of HK\$6,000,000 to be refunded in cash by the vendor to the Company upon completion. On 31 October 2013, the Company and the vendor agreed in writing to extend the long stop date to 31 January 2014 in accordance with the sale and purchase agreement. As at 30 September 2013, the Company had made HK\$6,000,000 as a refundable deposit to the vendor for the acquisition.

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value HK\$'000
Authorised:		
At 31 March 2013 and 30 September 2013	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 March 2013 (audited)	644,850,760	6,449
Issue of shares (note a)	<u>40,000,000</u>	<u>400</u>
At 30 September 2013 (unaudited)	<u>684,850,760</u>	<u>6,849</u>

Note:

- (a) On 29 August 2013, the Company entered into the placing agreement with a placing agent pursuant to which the placing agent agreed to place, on a best effort basis, to one or more independent placee(s) for up to 40,000,000 new shares of the Company at a price of HK\$0.50 per placing share. On 10 September 2013, the placing was completed. The aggregate nominal value of the placing shares issued under the placing is HK\$400,000.

15. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing the net assets included in the unaudited condensed consolidated statement of financial position of approximately HK\$47,565,000 (31 March 2013: HK\$34,091,000) and the number of ordinary shares in issue as at 30 September 2013, being 684,850,760 (31 March 2013: 644,850,760).

16. RELATED PARTY TRANSACTIONS

- (a) Compensation of key management personnel, including the directors and other members of key management, during the period is as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	908	1,106

- (b) During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Six months ended	
		30 September	
		2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
United Gain Investment Limited ("United Gain") (note i)	Investment manager's fee	–	41
China Everbright Securities (HK) Limited ("China Everbright") (note ii)	Investment manager's fee	360	300
China Everbright	Placing commission fee	180	–
Jade Bright Limited/ Mr. Deng Li (note iii)	Share of office lease expenses	2,400	–
Mr. Chen Yin (note iv)	Interest expense on borrowing	2	–

Notes:

- (i) In March 2009, the Company and United Gain entered into an investment management agreement for appointing United Gain as investment manager of the Group. The annual investment manager's fee is equivalent to the higher of HK\$100,000 or 1.25% of the Group's net asset value, provided that such annual fee shall not exceed HK\$600,000. On 30 April 2012, the Company and United Gain agreed to terminate the investment management agreement with effect from 1 May 2012.
- (ii) On 30 April 2012, the Company entered into an investment management agreement with China Everbright, the existing investment manager of the Company, for a period of three years effective from 1 May 2012. The annual investment manager's fee payable to China Everbright is HK\$720,000.
- (iii) Jade Bright Limited, a former shareholder of the Company, and Mr. Deng Li, a former director of the Company, had undertaken to share of office rental and building management expenses.
- (iv) The interest expense paid to Mr. Chen Yin, the non-executive director and chairman of the Company, for the borrowing outstanding approximately of HK\$2,899,000 as at 31 March 2013. The borrowing was unsecured, repayable on demand, and bearing interest at Hong Kong Dollar Prime Rate of Bank of China (Hong Kong) per annum. The borrowing had been fully settled as at 30 September 2013.

17. OPERATING LEASE COMMITMENTS

At 30 September 2013, the minimum lease payments under non-cancellable operating leases for leased premise are payable as follow:

	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	4,518	8,958
In the second to fifth year inclusive	—	5,180
	4,518	14,138

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries are engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities.

For the six months ended 30 September 2013 (the "Period"), the Group incurred a loss for the Period of approximately HK\$6,430,000 which representing an increase of approximately 28.2% as compared with the corresponding period of the loss of approximately HK\$5,015,000 in 2012.

Loss per share for the Period was approximately HK 0.99 cents (six months ended 30 September 2012: approximately HK 0.80 cents). The net asset value per share of the Company was approximately HK\$0.07 (31 March 2013: approximately HK\$0.05) as at 30 September 2013.

The investment portfolio of the Group as at 30 September 2013 was summarized as follows:

	Carrying value HK\$'000	Percentage of the total assets as at 30 September 2013
Interest in an associate	6,193	12.65%
Available-for-sale financial asset	6,590	13.46%
Financial assets at fair value through profit or loss		
— Hong Kong listed equity securities, at market value	448	0.91%
— Investment in convertible bonds, at fair value	6,599	13.48%

Financial Resources and Liquidity

As at 30 September 2013, the Group had cash and cash equivalents of approximately HK\$16,733,000 (31 March 2013: approximately HK\$6,630,000). The Group had the net current assets and the net assets of approximately HK\$34,229,000 (31 March 2013: HK\$27,289,000) and approximately HK\$47,565,000 (31 March 2013: HK\$34,091,000) respectively as at 30 September 2013. The Group had no bank and other borrowing as at 30 September 2013.

The current ratio, calculated on the basis of total current assets over total current liabilities, was approximately 25.4 (31 March 2013: 7.0) as at 30 September 2013.

Interim Dividend

The Board of the Company does not recommend the payment of an interim dividend to the shareholders of the Company for the Period.

Capital Structure

Details in the changes of the capital structure of the Company for the Period are set out in note 14 to the condensed consolidated financial statements. The capital of the Company comprises only ordinary shares as at 30 September 2013.

Foreign Exchange Exposure

Most of the business transactions of the Group are denominated in Hong Kong dollars and Renminbi. The management of the Group will closely monitor the fluctuation in these currencies and take appropriate actions when needed. As at 30 September 2013, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. The Group had not entered into any financial derivatives in currencies other than Hong Kong dollars during the Period.

Pledge of Assets and Contingent Liabilities

As at 30 September 2013, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Staff Cost

The Group's total staff costs (including directors' remuneration) for the Period amounted to approximately HK\$2,138,000 (six months ended 30 September 2012: HK\$1,238,000). The employees were remunerated based on their responsibilities and performance.

Prospect

For the year 2013, the global economic environment will continue to be uncertain due to various factors including concerns over the sluggish economic recovery in the United States and Europe. Although global economic growth remains slow, it may start to get out of the woods given the economic recovery of the United States, the turnaround in European sovereign debt crisis, as well as the soft-landing of the PRC's economy. Regarding the markets' development, the Group will continue to manage its portfolio in a cautious manner in order to provide substantial returns for shareholders.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions held by the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors/ chief executive	Capacity in which interests are held	Number of shares/underlying shares held			Approximate percentage of shareholding of (note 1)
		Number of shares held	Number of share options held	Total interests	
Mr. Chen Yin (note 2)	Interest of controlled corporation	106,228,000	–	106,228,000	15.51%
Mr. Fong Wo, Felix	Beneficial owner	–	1,000,000	1,000,000	0.15%
Mr. Tang Ping Sum	Beneficial owner	–	1,000,000	1,000,000	0.15%
Mr. Wong Chak Keung	Beneficial owner	–	6,300,000	6,300,000	0.92%
Mr. Zhang Xuming (note 3)	Interest of controlled corporation	72,304,000	–	72,304,000	10.56%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 684,850,760 shares as at 30 September 2013.
2. Mr. Chen Yin is deemed to have interest in 106,228,000 shares in the Company held by Micah Holdings Limited Investments Limited, a private company wholly-owned by Ms. Ji Jie, the spouse of Mr. Chen.
3. 72,304,000 shares are held by Salus Investments Limited, a company wholly and beneficially owned by Mr. Zhang Xuming, the chief executive officer of the Company.

Save as disclosed above, as at 30 September 2013, none of the Directors or chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, the following persons, other than a Director or chief executive of the Company, were interested or had short positions in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholding (note 1)
Micah Holdings Limited (note 2)	Beneficial owner	106,228,000	15.51%
Ms. Ji Jie	Interest of controlled corporation	106,228,000	15.51%
Salus Investments Limited (note 3)	Beneficial owner	72,304,000	10.56%
Mr. Yu Jun Li	Beneficial owner	40,000,000	5.84%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 684,850,760 shares as at 30 September 2013.
2. Micah Holdings Limited is a private company wholly and beneficially owned by Ms. Ji Jie. Ms. Ji Jie is deemed to have interest in the shares held by Micah Holdings Limited.
3. Salus Investments Limited is a private company wholly and beneficially owned by Mr. Zhang Xuming, the chief executive officer of the Company.

Save as disclosed above, as at 30 September 2013, the Company was not notified of any persons, other than the Directors and the chief executive of the Company, having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

On 9 April 2009, the Company adopted a share option scheme (the "Scheme") under which the Board may at its discretion grant any eligible participant share options, as it may determine appropriate. The Scheme is valid and effective for a period of ten years commencing on 9 April 2009, after which no further options may be offered or granted.

Movement of the share option of the Company during the period are listed below:

Category	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				At 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2013
Executive director	30 March 2012	30 March 2012– 30 March 2017	0.2552	6,300,000	–	–	–	6,300,000
Non-executive director	30 March 2012	30 March 2012– 30 March 2017	0.2552	6,300,000	–	–	6,300,000	–
Independent non-executive directors	30 March 2012	30 March 2012– 30 March 2017	0.2552	2,000,000	–	–	–	2,000,000
Employee	30 March 2012	30 March 2012– 30 March 2017	0.2552	1,000,000	–	–	–	1,000,000
Consultants	30 March 2012	30 March 2012– 30 March 2017	0.2552	26,200,000	–	–	19,900,000	6,300,000
Total				<u>41,800,000</u>	<u>–</u>	<u>–</u>	<u>26,200,000</u>	<u>15,600,000</u>

Save as disclosed above, the Company has no other options, warrant, derivatives, convertible notes or other securities of the Company convertible into or giving rights to subscribe for shares as at 30 September 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 September 2013.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2013 was the Company or its subsidiary a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. During the six months ended 30 September 2013, the Company complied with the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules except for the following deviations:

The code provision A.6.7 of the CG Code states that independent non-executive directors and non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive directors and two non-executive directors were unable to attend the annual general meeting of the Company held on 28 August 2013 (the "2013 AGM") due to their other important engagement.

The code provision E.1.2 of the CG code states that the chairman of the Board should attend the annual general meeting of the Company. Due to the resignation of Mr. Deng Li, the former chairman of the Board, the Company was still identifying the appropriate candidate to fill the vacancy at that time. However, arrangements including the attendance of another member of the Board had been in place to ensure the 2013 AGM was in order.

CHANGE IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in Directors' information since the date of 2013 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set below:

Mr. Chan Cheong Yee, an executive director of the Company, appointed as an executive director of China New Economy Fund Limited (stock code: 80), a company listed on the Stock Exchange of Hong Kong with effect from 1 June 2013.

Mr. Lin Song, a non-executive director of the Company, retired as non-executive director of the Company after the conclusion of the annual general meeting of the Company held on 28 August 2013.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2013 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2013, the Company complied with the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Model Code in Appendix 10 of the Listing Rules. Having made specific enquiry to all directors, all directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the six months ended 30 September 2013.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the percentage of the Company's shares which are in the hands of the public is not less than 25% of the Company's total number of issued shares during the six months ended 30 September 2013.

AUDIT COMMITTEE

As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting system and internal control procedures and review of the Company's financial information.

The Group's unaudited interim financial information for the six months ended 30 September 2013 has been reviewed by the Audit Committee.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the Period.

By Order of the Board
China Investment Development Limited
Chen Yin
Chairman

Hong Kong, 29 November 2013